

Home health: assessing payment adequacy and updating payments

ISSUE: Are payments for home health services adequate to cover the costs of efficient providers? How should payments be updated in 2005? Does the payment system require refinement?

KEY POINTS: Access for most is good, though some beneficiaries appear to experience problems. The supply of agencies has risen slightly. The number of home health users grew between 2001 and 2002, while the volume of home health services in terms of episodes per user and visits per episode has remained low.

The quality of home health care, as measured by patient outcomes and the occurrence of adverse events, has remained steady before and after the implementation of the prospective payment system. The current level of quality appears to be good, though some aspects of quality have room for improvement.

Over the coming year input prices will rise, but productivity will offset the impact of prices on costs. Part of these changes will be driven by increasing use of computers in the home and new therapies for wounds.

To address the incentives in the payment system that may lead some agencies to avoid some types of beneficiaries, we could consider refinements to the payment system. Changes to the case mix adjustment or other structures may make certain types of beneficiaries more attractive to home health agencies.

ACTION: At this time, we seek Commissioners' input on our work to date and draft recommendations.

STAFF CONTACT: Sharon Bee Cheng (202-220-3712)